

**Senate Finance, Ways, and Means Committee**

**Amendment No. 1 to SB2646**

**Henry**  
**Signature of Sponsor**

**FILED**

Date \_\_\_\_\_

Time \_\_\_\_\_

Clerk \_\_\_\_\_

Comm. Amdt. \_\_\_\_\_

**AMEND Senate Bill No. 2646\***

**House Bill No. 2957**

by deleting all provisions of the bill following the enacting clause and substituting the following:

SECTION 1. Tennessee Code Annotated, Section 67-6-202(a), is amended by deleting the language "six percent (6%)" and by substituting instead the language "seven percent (7%)".

SECTION 2. Tennessee Code Annotated, Section 67-6-203(a), is amended by deleting the language "six percent (6%)" and by substituting instead the language "seven percent (7%)".

SECTION 3. Tennessee Code Annotated, Section 67-6-204, is amended by deleting the language "six percent (6%)" wherever it appears in subsections (a) and (c) and substituting instead the language "seven percent (7%)".

SECTION 4. Tennessee Code Annotated, Section 67-6-205(a), is amended by deleting the language "six percent (6%)" and by substituting instead the language "seven percent (7%)".

SECTION 5. Tennessee Code Annotated, Section 67-6-221(a), is amended by deleting the language "seven and one-half percent (7.5%)" and by substituting instead the language "eight and one-half percent (8.5%)".

**SECTION 6.**

(a) There is hereby created an independent Tax Structure Study Commission.

(b) The commission shall be composed of fifteen (15) members as follows:

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(1) A chair who shall be appointed by the governor and who shall not be affiliated with any group specified within this section;

(2) One (1) member, representing the interests of counties, who shall be appointed by the speaker of the senate following consultation with the county services association;

(3) One (1) member, representing the interests of municipalities, who shall be appointed by the speaker of the house of representatives following consultation with the Tennessee municipal league;

(4) One (1) member, representing the interests of business, who shall be appointed by the speaker of the senate following consultation with the Tennessee association of business;

(5) One (1) member, representing the interests of agriculture, who shall be appointed by the speaker of the house of representatives following consultation with the Tennessee farm bureau;

(6) One (1) member, representing the interests of the banking industry, who shall be appointed by the speaker of the senate following consultation with the Tennessee bankers association;

(7) One (1) member, representing the interests of the various chambers of commerce, who shall be appointed by the governor following review of a list of five (5) nominees: one (1) of whom shall be submitted by the Knoxville chamber of commerce, one (1) of whom shall be submitted by the Chattanooga chamber of commerce, one (1) of whom

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shall be submitted by the Nashville chamber of commerce, one (1) of whom shall be submitted by the Black Business Chamber of Memphis and one (1) of whom shall be submitted by the Memphis chamber of commerce;

(8) One (1) member, representing the interests of labor, who shall be appointed by the speaker of the senate following consultation with the Tennessee AFL-CIO Labor Council;

(9) One (1) member, representing the interests of families, who shall be appointed by the speaker of the house of representatives;

(10) One (1) member, representing the interests of the elderly, who shall be appointed by the governor following consultation with the American Association of Retired Persons;

(11) One (1) member, representing the interests of tax attorneys, who shall be appointed by the speaker of the senate following consultation with the Tennessee bar association;

(12) One (1) member, representing the interests of accountants, who shall be appointed by the governor following consultation with the association of certified public accountants;

(13) One (1) member, representing the interests of the health care industry, who shall be appointed by the speaker of the house following consultation with the Tennessee health care association;

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(14) One (1) member, representing the interests of the insurance industry, who shall be appointed by the speaker of the house following consultation with the insurers of Tennessee; and

(15) One (1) member, representing the interests of state employees, to be appointed by the governor following consultation with the Tennessee state employees association.

(c) If a vacancy occurs in commission membership for any reason, then the vacancy shall be filled in the same manner as the initial appointment.

(d) The commission is authorized to employ such staff, as it deems necessary, subject to the availability of funding specifically appropriated for such purpose. The commission may also call upon other state and local governmental agencies and entities for other assistance.

(e)

(1) The commission shall perform a comprehensive study of the tax structure in Tennessee. The study shall include state taxes, local taxes, special district taxes and state-shared taxes. The commission shall study the elasticity of the current tax structure, the effect of e-commerce upon the current tax structure, the method of allocation of state tax revenue, the effect of allocation of tax revenue based on situs of collection, current distribution formulas for tax revenue, special allocations of tax revenue based on population or tourism-related special treatment and the deductibility of state and local taxes from federal taxes. The

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commission shall also study issues pertaining to exportability and federal deductibility of Tennessee's state and local taxes. The commission shall also study taxes on beer, liquor, wine and cigarettes. The commission shall examine, compare and evaluate the impact and potential impact of various taxes upon the state's business climate and economic competitiveness.

(2) The commission shall study issues pertaining to retaliatory taxes and shall determine if Tennessee tax rates should be tied to average tax rates subject to retaliation. Business taxes shall be studied to determine if taxes in Tennessee are comparable to surrounding states, whether or not business activity is fairly taxed and whether the business tax structure in Tennessee should be revised due to the shift in the economy from manufacturing industry to service industries. The franchise and excise tax shall be studied to determine if consolidated filing should be required and if current allocation formulas fairly apportion income and losses. The business tax structure shall also be studied to determine the extent, if any, to which the form of a business entity should be a factor in determining whether such business entity pays state taxes. The commission shall also examine the effect of tax structure and rates on tax leakage to the states surrounding Tennessee.

(3) In general, the commission is charged with performing a comprehensive study of the entire system of taxation in Tennessee, as

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well as evaluating such system as to its soundness, fairness, equity, and deductibility for all Tennesseans, and, if deemed necessary, with recommending changes to the tax code in order to encourage and enhance such soundness, fairness, equity and adequacy.

(f) The commission shall report its findings, recommendations and any proposed legislation to the chief clerk of the senate and the chief clerk of the house of representatives on or before April 1, 2003, at which time the commission shall terminate and cease to exist.

SECTION 7. This act shall take effect April 1, 2002, the public welfare requiring it and shall cease to be of effect and shall become null and void September 30, 2003.